



RICK CLAYBURGH  
TAX COMMISSIONER

# Property Tax Newsletter

April 2002

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## Renaissance Zone Tax Incentives

North Dakota Century Code (N.D.C.C.) ch. 40-63 authorizes incorporated cities to apply to the state for designation of certain areas as renaissance zones. A renaissance zone is a geographic area of a city involved in a development plan approved by the ND Department of Commerce Division of Community Services for rehabilitation and development.

Section 40-63-05 provides for property tax exemption of residential and commercial property located in renaissance zones. A city may grant a partial or complete property tax exemption of buildings, structures, fixtures and improvements purchased or rehabilitated as a zone project for any business or investment purposes or for a single-family residential property purchased or rehabilitated by an individual for the individual's primary place of residence. Rehabilitation is defined as repair or remodeling that is equal to or exceeds fifty percent of the current true and full value for commercial buildings and twenty percent for single-family homes. Rehabilitation need not be complete before the property tax exemption is granted; it just needs to meet the required percentage of current true and full value. Land is not eligible for exemption.

An applicant files an application with the city auditor of the city in which the renaissance zone is located. Assessment personnel are in the best position to determine whether "rehabilitation" has taken place and make a recommendation to the governing body or zone authority. The

city governing board or local zone authority determines eligibility of a property for the exemption and length of the exemption period.

A qualifying property may be exempt for a maximum of five taxable years following the date of acquisition or rehabilitation. For example, a qualifying property that is acquired, or one which is rehabilitated, as defined in N.D.C.C. § 40-63-01(01), during 2002, is eligible for exemption beginning with taxable year 2003. When a qualifying user acquires a property after February 1, the assessment may be prorated for the number of months the property qualifies for exemption. A property may be exempted only once, but during the five years of eligibility, the exemption transfers with the transfer of property to a qualifying user. The property is subject to abatement proceedings according to N.D.C.C. ch. 57-23.

The Tax Commissioner's Office does not need to receive copies of the applications as required for the exemption of new or expanding businesses according to N.D.C.C. ch. 40-57.1. County directors of tax equalization should monitor the beginning and ending of exemption periods. Assessment personnel should *not* list the valuation exempted as a renaissance zone project on the Abstract of Valuation of Certain Exempt Real Property; however, it should be listed on the Supplementary Abstract and the separate list of exempt property required by N.D.C.C. § 57-02-14.

Property that has a renaissance zone exemption should *not* be included in the mill rate calculations as provided in N.D.C.C. § 57-15-01.1(2)(d) as that statute does not include renaissance zone exemptions. ●

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## Mobile Home Tax Collection

The 2002 mobile home tax was due and payable on January tenth or ten days after a mobile home was purchased or first moved into this state. If the amount of tax is forty dollars or more, the payment may be made in two installments. The first installment of the 2002 mobile home tax became delinquent on March 1. The second installment becomes due June 1 and delinquent on July 1.

Each year tax directors struggle with collecting mobile home taxes. The tax director should review the tax record twice a year: in March, after the first installment becomes delinquent, and in July, when the second installment becomes delinquent. The tax director should send the mobile home owner a notice that the tax or installment is delinquent as soon as the tax becomes delinquent. If the tax is not paid within ten days, the tax director should begin civil action by initiating an action in small claims court. If the tax director determines that a mobile home belongs to someone from whom the tax may be uncollectable, the director should notify the sheriff immediately. Within five days of the notice from the tax director, the sheriff must take action to collect the tax, penalties and interest. The sheriff collects the tax according to the provisions of N.D.C.C. ch. 57-22.

The essential elements to ensure mobile home tax collection are consistency in the process and initiation of civil action as soon as the tax becomes delinquent. ●

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## Notice of Increase

According to N.D.C.C. § 57-12-09, whenever assessors increase assessments of any property by 15 percent or more and \$3,000 or more in true and full value, they must send a notice of increase to the owner at least ten days before the local board of equalization meeting.

The notice *must* contain the following information:

- Description of the property
- True and full value for the current year
- True and full value for the previous year
- Amount of increase
- Date of the local board of equalization meeting
- Date of the county board of equalization meeting

The county board of equalization must meet within the first ten days of June. N.D.C.C. § 57-12-01. Before March, the board of county commissioners should determine the date in June that the county board of equalization will meet.

Assessors need to know the meeting dates of the local and county boards of equalization *before* mailing notices of increase. ●

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## Addresses Needed

Enclosed is a listing of e-mail addresses for tax directors and class I city assessors. Verify that your address is correct and contact Judy Brosz if it isn't. Call 328-3143 or toll free in North Dakota 1-800-638-2901, option 5. Her e-mail address is [jbrosz@state.nd.us](mailto:jbrosz@state.nd.us).

Some assessment offices have developed their own web sites that offer a variety of information. The Property Tax Division will develop a list of web sites if informed of addresses. The list will be available upon request. ●

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## Taxation of Park Model Trailers

The provisions of N.D.C.C. ch. 57-55 (taxation of mobile homes) do not apply to park model trailers used for seasonal or recreational use while located in a trailer park or campground, *provided* the owner has paid a \$20.00 park model trailer fee each year to the ND Department of Transportation (NDDOT). Upon payment of the fee, NDDOT issues a receipt, valid for that calendar year.

Owners of park model trailers must pay that fee at the beginning of each year. The receipt issued by the NDDOT is letter size and specifies that the fee paid was for that specific calendar year. The Property Tax Division has a sample copy of the receipt if anyone wants to receive one.

Each year tax directors need to check whether owners of park model trailers in trailer parks and campgrounds have current receipts for payment of the fee to the NDDOT. If they don't, tax directors should tax them according to N.D.C.C. ch. 57-55.

Directors need to educate park model trailer owners, dealers, and managers of trailer parks and campgrounds about the annual fee requirement. See also N.D.C.C. § 39-18-03.2. ●

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## Certified Tax Directors Conduct Education

County directors of tax equalization are responsible for providing instruction to township and class II city assessors that includes at least 24 hours of assessment education for becoming certified and an annual seminar for maintaining certification. North Dakota Administrative Code (N.D.A.C.) ch. 81-02.1 provides that the state supervisor of assessments must approve all educational sessions and a *certified* tax director must teach the information.

Non-certified tax directors must make arrangements for a certified tax director to present all education to assessors. It is not acceptable for a non-certified director to present the information while the certified director observes. The certified tax director is the most knowledgeable and should present the information so the non-certified director can observe and learn techniques to use for future presentations. The non-certified director may assist in making preparations for the seminar and providing assessment procedural information specific to that county. ●

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## Centrally Assessed Property Reminders

Centrally assessed property, other than railroads, does *not* qualify for the five percent discount or payment in installments. That information is included in bold print on the annual certification to the county auditors. If counties use the same tax statement for centrally assessed property as for locally assessed property, the treasurer should include a notice to the

centrally assessed taxpayers that they do not qualify for those options even though the options are listed on the tax statement.

All property used in transmitting two-way telecommunications service for consideration, including land, is exempt from property taxation because of the in-lieu provisions of N.D.C.C. ch. 57-34. The operative word is “used.” The only consideration for determining if property is exempt is the use of the property; ownership of the property is not an issue. For a detailed explanation of assessment of telecommunications property, refer to the article in the November 2001 issue of the Property Tax Newsletter. ●

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## Water Districts Are Political Subdivisions

Any water district, established according to the provisions of N.D.C.C. ch. 61-35, is designated by the state engineer as a political subdivision (N.D.C.C. § 61-35-07). Therefore, all property owned by such a water district is exempt according to N.D.C.C. § 57-02-08(3). ●

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## Property Tax Division Adds One

On March 4, 2002, Sara Hewson joined the staff of the Property Tax Division. Now we are a staff of five – all women. She is responsible for determining the tentative valuations of centrally assessed property and assisting with other division activities. Sara formerly served as the Slope County Tax Director. ●

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## Allowance For 2002 Assessments

At its March 7, 2002, meeting, the State Board of Equalization stated its intention to allow a five percent tolerance for 2002 assessments. It would move residential and commercial property assessments outside the tolerance to within three percent of market value and agricultural land assessments to within three percent of the target value certified by the North Dakota State University. ●

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## What is Considered Permanently Attached?

The Property Tax Guideline regarding mobile home taxation provides that a mobile home permanently attached to a foundation and situated on land that is owned by the owner of the mobile home is considered real property and subject to assessment according to N.D.C.C. ch. 57-02.

Tax directors struggle with determining whether a mobile home is permanently attached to the land. The most effective way to determine if a mobile home is permanently attached is to inspect the mobile home and consider the following questions:

- What is the method of attachment? (e.g., How is it anchored to the ground? Is it skirted?)
- Is the hitch removed?
- Are the wheels and axle removed?
- What is the owner's intent - to have the mobile home remain on the site indefinitely?

Generally, when a mobile home is located on land owned by the owner of the mobile home, the intent is to have it remain there indefinitely. The property should be assessed as real property.

In summary, to determine whether a mobile home is permanently attached, tax directors should inspect the mobile home(s), consider the method of attachment and the intent of the owner. ■

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## Taxpayer Bill of Rights Revised

**T**he Office of State Tax Commissioner recently revised the Taxpayer Bill of Rights.

This is a good time of the year to have a supply of the Property Tax section of the Taxpayer Bill of Rights in your office. It provides an explanation of the assessment and appeal processes. It is a good public relations tool that can be included with notices of increase and tax statements and may be available in the assessment office and County Treasurer's Office. Property owners appreciate the availability and simplicity of the information. We encourage assessment officials to use and distribute the Taxpayer Bill of Rights to property owners.

The Taxpayer Bill of Rights is available in the Tax Commissioner's office. ■

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## Commercial Sales Data Bank

**A**ssessment officials need sales information to determine market value of residential and commercial

property. Assessment officials rarely have too many sales to work with, especially commercial sales. It is especially difficult to be aware of sales of commercial property and obtain the necessary information.

The Property Tax Division simplified the reporting process of commercial property data on the Schedule Bx form. The Division accumulates commercial sales information submitted by assessors and tax directors, publishes an annual report and distributes it to the assessment offices that participate.

The Property Tax Division wants input from assessment officials regarding the commercial sales data bank:

- Benefits to assessment offices
- Whether to continue
- Efficiency of reporting form
- Availability of information about sales transactions, the properties and their income
- How to improve the procedure

Please contact the Property Tax Division to express your comments. You may use one of the methods listed on the last page. ■

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## Interim Taxation Committee

**T**he Interim Taxation Committee is studying numerous corporate income tax, motor fuels tax, tobacco tax, special assessment, and property tax issues.

Property tax issues include the property tax valuation formula for agricultural property; soils surveys; the effect of commercial, private, or personal hunting use on agricultural property; valuation of subsidized

housing; special assessments; use of the sales ratio study; and homestead credit. Property tax bill drafts considered at the April 9 meeting include bills dealing with agricultural land valuation, subsidized housing, and homestead credit.

The agricultural land bill draft phases in over a five-year period use of a component based entirely on cash rent data for computation of "annual gross return." For 2003, the cash rent component would be weighted 20 percent and the method used in 2002 would be weighted 80 percent; the 2004 weighting would be 40-60, etc. Reaction to the bill was mixed.

The subsidized housing bill draft provides an exemption for, "[T]he value of any leasehold rent limitation property rights or interests created by a claim of the credit under section 42 of the Internal Revenue Code [26 U.S.C. 42] and the amount of, or value received for, the income tax credit claimed on the property under section 42 of the Internal Revenue Code [26 U.S.C. 42]. An exemption under this subsection does not apply in any taxable year in which rent restrictions do not apply to the property."

The homestead credit bill draft ties the income brackets for qualifying applicants to the federal poverty level. Applicants with income less than the poverty level are entitled to a 100 percent exemption; up to 110 percent of the poverty level, 80 percent exemption; up to 120 percent of the poverty level, 60 percent exemption; up to 130 percent of the poverty level, 40 percent exemption; and up to 140 percent of the poverty level, 20 percent exemption. The draft included no caps on amount of taxable value exempted but the committee recommended including caps limiting 100 percent exemption

to a maximum value of \$80,000. The poverty level for a single person is used for applicants residing with no dependents; the poverty level for two persons is used for applicants residing with one or more dependents.

For renters, the maximum refund is determined by the applicant's poverty level bracket. Maximum refunds are \$240 for persons below the poverty level; \$192 up to 110 percent of the poverty level; \$144 up to 120 percent; \$96 up to 130 percent; and \$48 up to 140 percent. ■

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## Communication Necessary

Upon completion of the county board of equalization meeting in June, township and city assessment lists remain in the county auditor's office.

Before the State Board of Equalization meets in August, the Tax Commissioner notifies county directors of tax equalization and class I city assessors of the percentage change needed to bring assessments to 100% of true and full value. Tax directors and city

assessors should notify governing boards of affected assessment jurisdictions of the recommendation. Their representatives may want to appeal to the State Board of Equalization.

After the State Board of Equalization orders changes in the current-year assessments, the Tax Commissioner notifies the appropriate county auditor who makes the necessary changes in assessment lists. County auditors should send assessors written notification of the change in the assessments for their jurisdictions. The assessors need to update the property records to correspond with the revised assessment list. ■

### Need Assistance?

Please direct property tax questions or concerns to:

Office of State Tax Commissioner

Property Tax Division

Phone: (701)328-3127

Toll free within ND: 1-800-638-2901, option 5

Hearing/speech impaired TTY 1-800-366-6888

(Relay ND - ask for 1-800-2901, option 5)

Fax: (701)328-3700

E-mail: [mdickerson@state.nd.us](mailto:mdickerson@state.nd.us)

Website: [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com)